



Ribble Valley Borough Council

Statement of Accounts 2008/ 2009

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Independent Auditors' Report to Members of Ribble Valley Borough Council

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Independent auditor's report to the Members of Ribble Valley Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Ribble Valley Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Ribble Valley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Independent Auditors' Report to members of Ribble Valley Borough Council

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources***Authority's Responsibilities***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Independent Auditors' Report to members of Ribble Valley Borough Council

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Ribble Valley Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Clive Portman

District Auditor

Audit Commission

2nd Floor

Aspinall House

Aspinall Close

Middlebrook

Bolton

BL6 6QQ

Date: 17 September 2009

Annual Governance Statement

1 Scope of Responsibility

Ribble Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. This Annual Governance Statement explains how the Council has complied with the local code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

Annual Governance Statement

3 The Governance Environment

Establishing & Monitoring the Achievement of Objectives

The Council's priorities are derived from consultation on the Sustainable Community Strategy and the approved Corporate Performance and Improvement Plan clearly sets out the Council's priorities and strategic objectives.

Long term outcomes and interim performance targets have been established for each strategic objective. These are in turn transferred into individual service plans and performance monitoring reports are produced on a quarterly basis. This is supported by a system of individual staff performance appraisals.

The Conduct of Behaviour

The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

Policy & Decision Making

The Council has adopted a constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Policy and decision-making is facilitated through a Committee System including Overview & Scrutiny Committee, Accounts and Audit Committee and a Standards Committee.

Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

Compliance

The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

- Monitoring Officer;
- Section 151 Officer;
- Internal Audit;
- External Audit;
- Performance management system.

The Council has designated the Legal Services Manager as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a

Annual Governance Statement

report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Risk Management

The Council has embedded a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

Economy, Efficiency & Effectiveness

The Council has constantly sought ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. These now include:

- Budget Working Group
- Overview & Scrutiny Committee;
- External Audit;
- Internal Audit.

Financial Management

The Council has designated the Director of Resources as chief finance officer under Section 151 of the Local Government Act 1972.

The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.

The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Performance and Improvement Plan.

The Council maintains a sound Internal Audit function. Internal Audit report four times annually to the Accounts and Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.

The Council has an objective and professional relationship with its external auditors and statutory inspectors.

Performance Management

The Council's Performance Management Framework is underpinned by the Sustainable Community Strategy which clearly articulates a shared vision for the Borough. Derived from this is our Corporate Performance and Improvement Plan which articulates our corporate vision, priorities, strategic objectives and anticipated

Annual Governance Statement

outcomes. Individual Service Plans contain key projects which are geared towards achieving overall corporate objectives. This system is in turn supported by individual staff performance reviews to ensure that everyone understands their individual and sections contribution to corporate goals.

Separate detailed guidance exists for Service Planning and the Performance Review processes. Performance against targets is monitored by the Corporate Management Team, Service Committees, the Overview & Scrutiny function and the Accounts and Audit Committee. Where necessary corrective action is identified and implemented.

The Council uses a bespoke performance management software system, Covalent. The system uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of corporate objectives. These reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate.

4 Review of Effectiveness

Ribble Valley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs explain the various roles and responsibilities that have been applied in maintaining and reviewing the effectiveness of the Council's system of governance and internal control:

Corporate Level Review

The Corporate Management Team consisting of the following officers oversees the compilation of the Annual Governance Statement.

- Chief Executive;
- Director of Resources (S.151 Officer);
- Director of Community Services;
- Director of Development

The group have considered a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Directorate Level Review

The Council has also in place Directorate Assurance Statements requiring Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Annual Governance Statement

Monitoring Officer

As the Council's Monitoring Officer, The Legal Services Manager has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

Scrutiny Committee

The Council has an Overview and Scrutiny Committee which can challenge a decision made by Service Committees but not yet implemented, to enable them to consider whether the decision is appropriate.

Accounts and Audit Committee

The Council has appointed an Accounts and Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

The Council has appointed a Standards Committee whose terms of reference comply with the guidance set out by the Standards Board for England, including the statutory functions in respect of the local Code of Conduct for Members.

Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

The Internal Audit Annual Report contains a statement/judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

The Internal Audit Section is subject to regular inspection by the Council's external auditors.

External Audit

In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

Annual Governance Statement

5 Significant Governance Issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Improvement Board and have identified the following improvement opportunities:

Action	Responsibility
The Constitution be updated to reflect: <ul style="list-style-type: none"> ▪ the amalgamation of Overview & Scrutiny (Services) Committee and Overview & Scrutiny (Resources) Committee into a single Overview and Scrutiny Committee ▪ Housing Committee is now Health and Housing Committee. ▪ changes in the corporate management team 	Monitoring Officer
Terms of Reference be updated to reflect the above.	Committee Clerk
A system for ensuring that required updates to the Constitution be identified and carried out promptly be implemented.	Monitoring Officer

The above improvement actions are not new but represent work in progress or the need to embed framework or systems that have been strengthened relatively recently.

We will take steps over the coming year to address the above matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....
 Leader of the Council

.....
 Chief Executive

on behalf of Ribble Valley Borough Council

Explanatory Foreword

1 INTRODUCTION

The Council's statement of accounts for the year ended 31 March 2009 is set out on the following pages. These have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom. The statements produced for 2008/09 are:

Core Financial Statements

- 1 **Income and Expenditure** *This reports on the net cost for the year of all of the functions for which the council is responsible and demonstrates how this net cost has been financed from local tax payers and central government grant. It is the best measure of the council's financial results according to generally accepted accounting principles (GAAP)*
- 2 **Statement of Movement on the General Fund Balance** *This statement is based upon the income and expenditure account but contains certain amendments required by statute and non-statutory proper accounting practices.*
- 3 **Statement of Total Recognised Gains and Losses (STRGL)** *The income and expenditure account will not contain certain gains and losses such as those arising from the revaluation of fixed assets. This statement takes the income and expenditure account and adjusts it for these additional gains and losses.*
- 4 **Balance Sheet** *This shows the council's financial position at the beginning and end of the financial year and shows the assets and liabilities of the council.*
- 5 **Cash Flow Statement** *Here is summarised the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.*

Supplementary Statements

- 6 **Housing Revenue Account** *This reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with part 6 of the local government act 1989. Shown for 2008/09 are a small number of transactions incurred by the council following the transfer of its housing stock on 31 March 2008.*
- 7 **Collection Fund Account** *This shows the transactions of the council as a billing authority in relation to non-domestic rates and council tax collection. It also shows the way in which the money collected has then been distributed to precepting authorities and the general fund.*

Explanatory Foreword

The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2008 (SORP).

The Statement of Recommended Practice (SORP) is produced annually and shows how the UK Generally Accepted Accounting Principles (GAAP) is applied to the production of the Statement of Accounts.

The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'present fairly' the financial position and transactions of the council. The SORP also ensures that the financial reports of local authorities are standardised, allowing their performance to be measured and compared.

The 2008 SORP applies to the production of the 2008/09 Accounts within Local Government. The 2008 SORP has a relatively small number of substantive changes and, unlike the changes to the 2007 SORP, these are fairly minor. These changes include:

- The replacement of Local Area Agreement Grant with Area Based Grant.
- The removal of the accounting policy of Deferred Charges and the introduction of a new one on Revenue Expenditure Financed from Capital Under Statute.
- Prohibition of the revaluation of fixed assets at the point of disposal (deathbed revaluations).
- Changes to the accounting arrangements for pensions under Financial Reporting Standard (FRS) 17

Explanatory Foreword

2 GENERAL FUND

Whilst the Income and Expenditure Account is presented in accordance with the Best Value Accounting Code of Practice (BVACOP) it is also possible to analyse our spending in accordance with the Council's committee structure.

The Council's General Fund services are partly paid for by government grants and contributions from pooled business rates with the balance being funded from council tax. Shown below is a summary of the **general fund** accounts comparing actual expenditure with the original and revised budgets for the year.

Committee	Original Estimate £000	Revised Estimate £000	Actual £000	Original Estimate compared with Actual £000	Revised Estimate compared with Actual £000
Community Services	3,303	3,487	3,457	- 154	30
Policy & Finance	3,269	3,170	3,109	160	61
Planning & Development	693	641	664	29	- 23
Health & Housing	693	638	582	111	56
Committee Expenditure	7,958	7,936	7,812	146	124
Contingency	63	25	0	63	25
Interest Payable	45	37	35	10	2
Parish Precepts	366	366	366	0	0
Interest Received	-187	-225	-210	23	- 15
Net Operating Expenditure	8,245	8,139	8,003	242	136
Precept from Collection Fund (including parish precepts)	-3,338	-3,338	-3,338	0	0
Surplus on Collection Fund	0	0	0	0	0
General Government Grants	-472	-588	-621	149	33
Business Rates Redistribution	-3,388	-3,388	-3,388	0	0
Deficit for year	1,047	825	656	391	169
Depreciation	-664	-635	-899	235	264
Minimum Revenue Provision	220	216	216	4	0
Net Transfers to/from earmarked reserves	-66	-146	123	- 189	- 269
Housing Stock Transfer Proceeds	-400	0	0	- 400	0
Deficit for year	137	260	96	41	164

Explanatory Foreword

Amendments to our budget in the year

During the preparation of the revised estimate a number of items were added to the budget. These were:

	£000
Extra LABGI: government grant	(94)
Extra Area Based Grant: government grant	(22)
Increase in interest earned and reduction in interest payable	(46)
Increase in use of earmarked reserves	(80)
Reduction in Contingency	(38)
Removal of use of Housing Stock Transfer Proceeds	400
Net increase in Service Committee costs	3
	123

Financial Performance and Outlook

Once again the council's sound financial management and careful monitoring of budgets throughout the year has resulted in an underspend for the financial year on committee expenditure.

Additionally the council has seen a substantial reduction in the use of earmarked reserves compared to the original and revised estimates. This has resulted in a deficit for the year, funded from general fund balances, of £96,000. This is compared to an original forecast deficit of £137,000 and a revised forecast deficit of £260,000.

The current economic climate has impacted on the council, most notably through reduced income from Planning, Building Regulation, Land Charges and Licensing fees representing a £92,000 fall in income compared to the revised estimate. Due to the significant reduction in interest rates the council has also seen a fall in interest received on short term investments. In 2008/09 the council received £210,000 compared to £286,000 earned in 2007/08.

The economic downturn continues to be of concern to the council and this is reflected in the 2009/10 budget that was approved by Full Council on 10 March 2009. The interest that the council anticipates it will receive from investments is £125,000 for 2009/10 which is considerably lower than in previous years, in addition to reduced levels of estimated income. This Council therefore faced a significant challenge in order to produce a balanced and achievable budget.

The 2008/09 financial year has also seen the completion of the Clitheroe Castle Museum capital scheme with the museum opening to the public in 2009/10. Much of the spend on the Clitheroe Castle Museum scheme to date has been as part of the council's capital

Explanatory Foreword

expenditure which is shown at section 5 of this foreword. In the budget for 2009/10 the council needed to increase its revenue budget to allow for extra running costs of the museum and approved a £180,040 increase to the budget.

Also within 2008/09 the council successfully completed the roll out of the three stream waste collection service to households throughout the borough. The continuing service costs of this operation are already encompassed within the council's revenue budget.

During the year the council transferred its Longridge gym facilities to the Longridge Civic Hall Community Hub, helping to develop the integrated services offered. Following the move the council has anticipated savings in its 2009/10 budget of £30,000 as a result of this partnership working.

During the 2008/09 financial year there are many variances that occur when we carry out our budget monitoring. The main variations affecting our final position compared with the revised estimate can be summarised as:

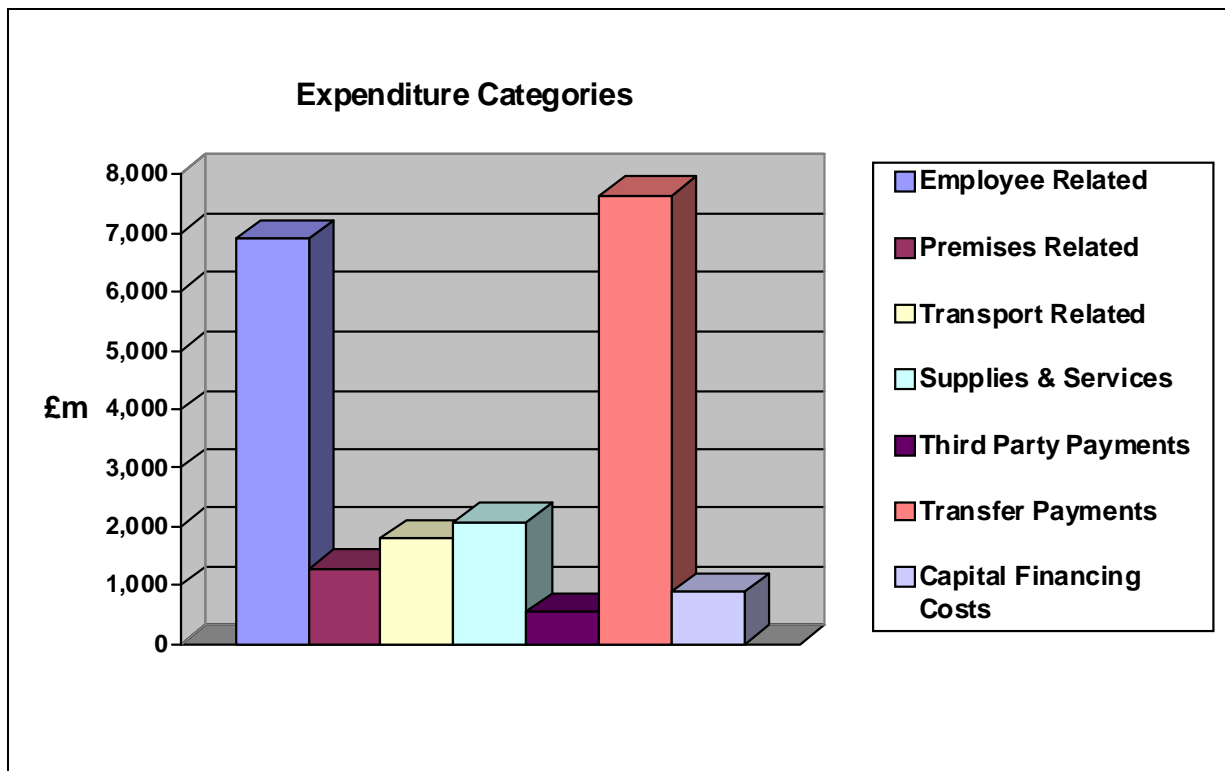
	£000
Lower income from Planning Fees and Building Regulation Fees	55
Lower income from Land Charges and Licensing	37
Savings on Housing Benefits	(35)
Savings on Car Parks	(17)
Savings on Public Conveniences	(13)
Increase in recharges from Support Services	(57)
Extra income from summonses	(9)
Increased income at Longridge Sports Centre	(10)
Increased income for Exercise Referral	(13)
Economic Development savings	(5)
Emergency Planning savings	(7)
Specific service underspends transferred to reserves	(20)
	(94)
Saving on Contingency Items	(25)
Reduction in interest earned and increase in interest payable	13
Impairment on fixed assets: transfer of Longridge Sports Centre	(264)
Extra General Government Grants received	(33)
Extra Transfers to earmarked reserves	239
Reduction in the amount to take from balances	(164)

Explanatory Foreword

Analysis of our Expenditure by Type

We have shown in the graph below how our total general fund **expenditure** is broken down by **type**:

	£000
Employee Related	6,898
Premises Related	1,296
Transport Related	1,799
Supplies & Services	2,075
Third Party Payments	554
Transfer Payments	7,631
Capital Financing Costs	899
Total Expenditure	21,152

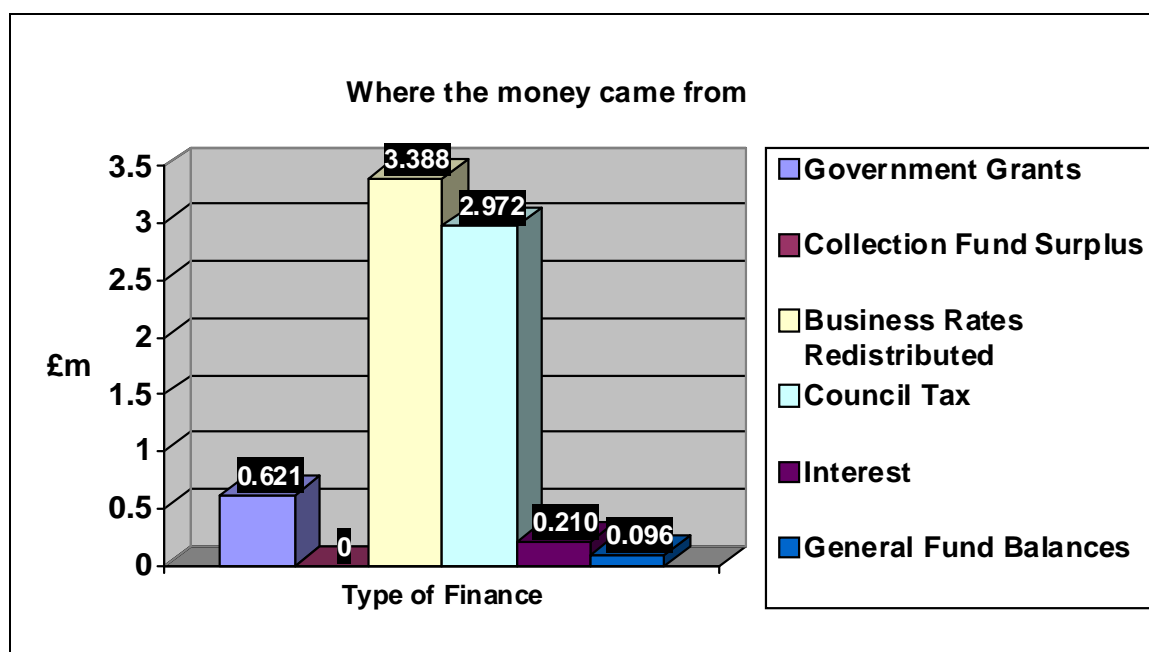


You can see that the two biggest types of expenditure are our employee costs and transfer payments – these are payments such as benefits and other payments we make on behalf of the Government.

Explanatory Foreword

How our general fund budget is financed

As shown earlier our total net expenditure for committees is £7.812m. A number of adjustments are then made to this total including the removal of depreciation from our accounts, interest payable and the transfers to/from earmarked reserves. After these adjustments we are left with expenditure to be financed for the year of £7.287m. We finance this as follows:



General Fund Balances

It is obviously very important to maintain a healthy level of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning. This however has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.

We had originally planned to take £137,000 from general fund balances to help finance the 2008/09 spending plans, however this included the proposed utilisation of £400,000 from the proceeds arising from the transfer of the council's housing stock.

The final position shows that the council has needed to take £96,000 from general fund balances. This has been achieved without the utilisation of any housing stock transfer proceeds. In addition we are pleased that we have continued to set one of the lowest council taxes in the country and yet hold healthy levels of balances.

Explanatory Foreword

The council has received formal consent from the Secretary of State to close its Housing Revenue Account with effect from the 31 March 2009. As a consequence the council has transferred Housing Revenue Account balances to general fund balances:

	£000
General Fund Balances: Brought forward at 1 April 2008	1,111
Taken to fund deficit on 2008/09 income and expenditure account	-96
Transfer of Housing Revenue Account balances to General Fund balances	1,007
General Fund Balances: Carried forward at 31 March 2009	2,022

Explanatory Foreword**3 HOUSING REVENUE**

By law, every local authority that has its own housing stock, must keep a Housing Revenue Account (HRA), to which all expenditure and income relating to the stock, must be charged.

On 31 March 2008, the Council transferred its housing stock to Ribble Valley Homes Ltd, which is a Registered Social Landlord (RSL) monitored and regulated by the Housing Corporation.

During 2008/09 there have been a small number of transactions which relate to the transferred housing stock, but for which the council are liable. These items are shown within the Housing Revenue Account for 2008/09.

The Council received formal Consent from the Secretary of State to close its Housing Revenue Account with effect from 31 March 2009. As a result of this approval Housing Revenue Balances of £1,006,447 have been transferred to the General Fund at 31 March 2009.

	£000
<i>Housing Revenue Account Balances: Brought forward at 1 April 2008</i>	1,013
Taken to fund deficit on 2008/09 Housing Revenue Account	-6
Transfer of Housing Revenue Account balances to General Fund balances	-1,007
<i>Housing Revenue Account Balances: Carried forward at 31 March 2009</i>	0

Explanatory Foreword

4 PENSIONS

The statement of accounts reflects the full adoption of Financial Reporting Standard 17 Retirement Benefits (FRS17), following its full implementation in 2003/04. This requires that:

- ❖ Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Lancashire County Pension Fund. This cost referred to as the current service cost is calculated by the fund's actuary, Mercer Ltd.
- ❖ The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the Authority's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2009 reduced to £10.555m (31 March 2008 £10.781m).

The main reason for the reduction in liability is a change in the assumptions made by the actuary resulting in a reduction in liabilities for employers.

5 CAPITAL

We keep a separate account of all our capital expenditure and income transactions, examples of such transactions would be:

- Buying or selling land or property.
- Improvements to our existing assets.
- Building new properties.
- Purchase of refuse vehicles & plant.
- Awarding improvement grants for private sector renewal.

We have a five year capital programme which is revised each year depending on our priorities and the resources we expect to be available to fund the capital schemes.

During the year the Council spent £3.8 million on general fund capital schemes. Main areas of expenditure included:

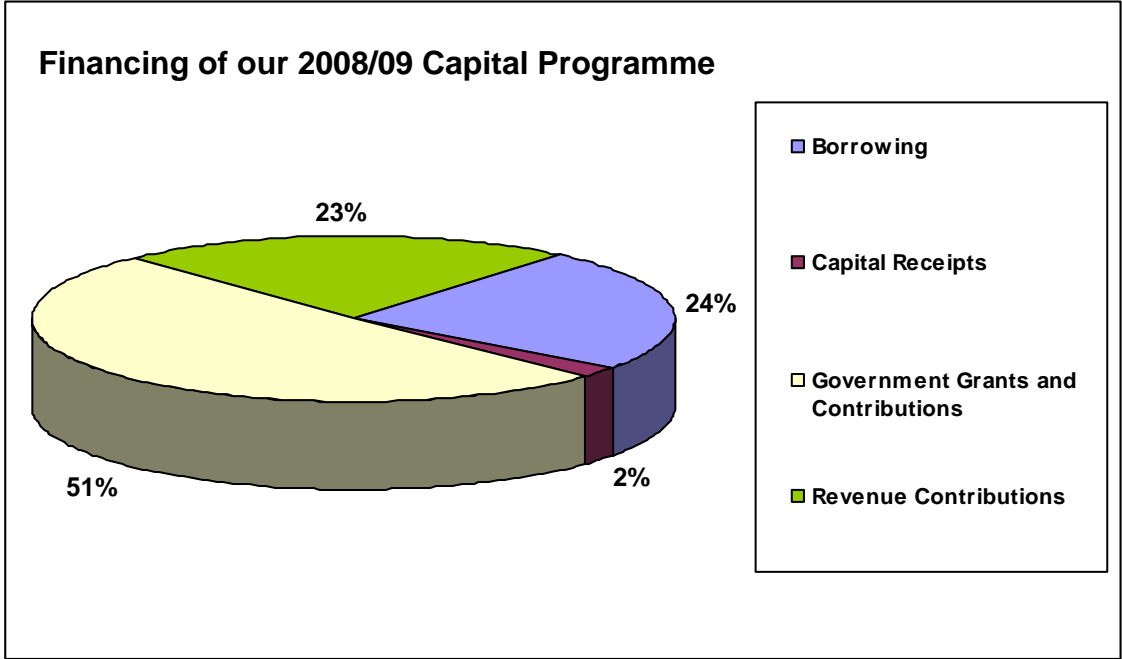
- Clitheroe Castle Museum Scheme.
- Three Stream Waste Collection.
- Replacement vehicles and plant.
- Relocation of Fitness Room at Longridge Sports Centre to Longridge Civic Hall.
- Affordable Housing Initiatives.
- Renovation and disabled facilities grants.

Explanatory Foreword

At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Slippage for a number of schemes has been agreed into 2009/10. These schemes include the following:

- Clitheroe Castle Scheme.
- Refuse Collection Vehicle.
- Energy Efficiency Measures at Ribblesdale Pool.
- Affordable Housing Initiatives.

How the Capital Programme was financed	
	£000
Borrowing	928
Capital receipts	65
Government grants and contributions	1,964
Revenue contributions	870
	3,827



Explanatory Foreword

The Council financed capital expenditure totalling £928,000 from borrowing during 2008/09. We continue to make full use of advantageous lending terms that are offered by the Public Works Loan Board (PWLB).

The total PWLB loans outstanding at 31 March 2009 is £0.649m. This reflected the repayment of £6.2m of PWLB debt during 2008/09 following the transfer of the Council's housing stock. These are included in the Balance Sheet under Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 26 to the core financial statements.

Statement of Responsibilities

The following responsibilities are placed upon the Authority and the Director of Resources in relation to the Council's financial affairs:

The Authority's Responsibilities

The authority is required to:

- ❖ Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources.
- ❖ Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ❖ Approve the statement of accounts.

The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts, I have:

- ❖ Selected suitable accounting policies and then applied them consistently.
- ❖ Made judgements and estimates that were reasonable and prudent.
- ❖ Complied with the Code.

I have also:

- ❖ Kept proper accounting records which were up to date.
- ❖ Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

JANE L PEARSON
DIRECTOR OF RESOURCES CPFA

Approval of the Statement of Accounts

I confirm that these accounts, including the Income and Expenditure Account on page 31 and the Balance Sheet on page 35, were approved by the Accounts and Audit Committee at its meetings held on 24 June 2009 (unaudited) and 16 September 2009 (audited)

Signed by:

Cllr David Eccleston
Chairman of Accounts and Audit Committee

16 September 2009

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice* (SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2 ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, with the exception of various items where the charges from one year to the next are not material ie, gas, electricity and telephone charges.

3 PROVISIONS

The Council sets aside provisions for specific future expenses, which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately. Provisions are charged to the appropriate revenue account and when payments for expenditure are incurred to which the provision relates they are charged direct to the provision. In addition, provisions for bad debts have been made within the accounts for expected losses of income in respect of sums due but not received from debtors.

4 RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year then appropriated back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

5 GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Government grants, third party contributions and donations are recognised as income at the date the Council satisfies; the conditions of entitlement to the funds, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. revenue support grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Statement of Accounting Policies

6 RETIREMENT BENEFITS

Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

Change in Accounting Policy

Under the 2008 SORP the council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- ✧ The liabilities of the Lancashire County Council Pension Scheme attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- ✧ Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality (AA rated) corporate bonds. At 31 March 2009 the discount rate was 7.1% (6.1% 31 March 2008).
- ✧ The assets of the Lancashire County Council Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet at their fair value:
 - ✧ Quoted securities – current bid price
 - ✧ Unquoted securities – professional estimate
 - ✧ Unitised securities – current bid price
 - ✧ Property – market value
- ✧ The Change in the Net Pensions Liability is analysed into seven components:
 - ✧ Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
 - ✧ Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

Statement of Accounting Policies

- ✧ Gains/Losses on Settlements and Curtailments – where a restructuring has occurred within the employer’s staff base and a number of staff have transferred from the employer in an accounting period, ie a settlement has occurred in terms of the assets and liabilities lost (transferred out) to either another employer in the fund or to a different pension scheme – debited/credited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- ✧ Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Net Operating Expenditure in the Income and Expenditure Account.
- ✧ Expected Return on Assets – the annual investment return on the fund assets attributable to Ribble Valley Borough Council, based on an average of the expected long term return - credited to the Net Operating Expenditure in the Income and Expenditure Account.
- ✧ Actuarial Gains and Losses – changes in the Net Pensions Liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to the Statement of Total Recognised Gains and Losses.
- ✧ Contributions paid to the Lancashire County Council Pension Fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of any award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7 VAT

Income and Expenditure excludes any amounts related to VAT that is recoverable from HM Revenues and Customs. All VAT collected is paid over to HM Revenue and Customs.

Statement of Accounting Policies

8 OVERHEADS AND SUPPORT SERVICES

The cost of support services are recharged to services based on use and in accordance with CIPFA's *Best Value Accounting Code of Practice 2007* - (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- ✧ Corporate and Democratic Core – costs relating to the council's status as a multifunctional, democratic organisation.
- ✧ Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account.

9 INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (eg software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10 TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

Statement of Accounting Policies

- ✧ Land, operational properties and other operational assets have been valued on the basis of open market value for their existing use.
- ✧ Non-operational assets are included in the balance sheet at open market value.
- ✧ Infrastructure assets are included in the balance sheet at depreciated historical cost.
- ✧ Community assets are valued at either depreciated historical cost or a nominal value of £1.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Any gains arising on revaluation are credited to the Revaluation Reserve.

Impairments

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- ✧ Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- ✧ Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £6,000 are categorised as Capital Receipts and are credited to the Capital Receipts Reserve and can be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

Statement of Accounting Policies

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation

The Council charges its service accounts with depreciation for all fixed assets used in the provision of services.

Depreciation is provided for all fixed assets (except freehold land) with a finite useful life. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets. Assets are not depreciated in the year of acquisition.

The Council operates a straight-line method for depreciation over the useful economic life of the asset as follows:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Council Houses	60
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

Where an asset has major components with different estimated useful lives, these are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and Contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Statement of Accounting Policies

11 CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year.

- ✧ Depreciation attributable to the assets used by the relevant service.
- ✧ Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- ✧ Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted capital financing requirement, excluding amounts attributable to housing revenue account (HRA) activity). Depreciation, impairment losses and amortisations are therefore replaced by Minimum Revenue Provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

Expenditure during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so that there is no impact on council tax.

13 LEASES

Items may be acquired by the Council under leasing arrangements which fall within the following categories:

- ✧ **Finance Leases**

Whereby the risks and responsibilities of ownership are substantially transferred to the Council.

- ✧ **Operating Leases**

Whereby the risks and responsibilities of ownership are retained by the lessor.

Statement of Accounting Policies

In line with the SORP, operating leases are not shown as assets or liabilities on the authority's balance sheet. Rentals are charged to the appropriate revenue accounts. Current and future payments due under these leases are set out in the notes to the core financial statements. The Council does not hold any Finance Leases.

14 FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure accounts for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to net operating expenditure in the Income and Expenditure account and the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the income and expenditure account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the general fund balance to be spread over future years. The reconciliation of the amounts charged to the Income and Expenditure Account to the net charge required against the general fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15 FINANCIAL ASSETS

Financial assets are classified in two types:

- ✧ Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- ✧ Available-for-sale – assets that have a quoted market price and/or do not have fixed or determinable payments (the Council has no available-for-sale assets).

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding

Statement of Accounting Policies

principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Should the Council make loans to voluntary organisations at less than market rates (soft loans), a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. The Council has made no material soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

16 STOCKS AND STORES

Stock held in the Council's general stores is valued in the accounts at average cost. All other stocks are shown at cost price.

17 CONTINGENT ASSETS

A contingent asset, as defined by FRS 12 is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control. Contingent assets are not recognised in the Income and Expenditure Account or the Balance Sheet but are disclosed as a note to the core financial statements. Such disclosures indicate the nature of the contingent asset and an estimate of the financial effect.

18 CONTINGENT LIABILITIES

A contingent liability, as defined by FRS 12, is either

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that a transfer of economic benefits will be required to settle the obligation, or
 - the amount of the obligation cannot be measured with sufficient reliability.

Statement of Accounting Policies

19 EXCEPTIONAL ITEMS

These are derived from *FRS 3 Reporting Financial Performance*. Exceptional items are ones that are material in terms of the authority's overall expenditure and not expected to recur frequently or regularly.

Income and Expenditure Account

This statement shows the income and expenditure of the main services of the Council and how the net cost of these services was financed.

2007/08		Gross Expenditure	2008/09	Net Expenditure	Note
£		£	£	£	
898,599	Central Services to the Public	3,197,238	(2,366,274)	830,964	
4,189,649	Cultural, Environmental and Planning	8,487,225	(3,797,517)	4,689,708	
547,195	Highways, Roads and Transport	2,008,631	(1,566,106)	442,525	
167,464	Housing General Fund	5,463,816	(5,328,902)	134,914	
55,752,076	Housing Revenue Account	56,196	(21,595)	34,601	
23,372	Social Services	59,854	(36,446)	23,408	
(6,583,877)	Exceptional Item – Overhanging Debt Grant	0	0	0	1
1,560,052	Corporate and Democratic Core	2,112,961	(349,379)	1,763,582	
293,000	Non Distributed Costs		(235,000)	(235,000)	2
56,847,530	Net Cost of Services	21,385,921	(13,701,219)	7,684,702	
0	Gain on the disposal of fixed assets			(999)	
326,994	Parish Council Precepts			365,728	
(28,431)	Surplus on Trading Services			(33,738)	3
336,372	Interest Payable			35,486	
0	Amortisation of Discounts and Premiums			379,956	1
283,792	Contribution of Housing Capital Receipts to Government Pool			4,359	
(332,439)	Interest and Investment Income Received			(238,495)	
(9,000)	Pensions Interest Cost and Expected Return on Pensions Assets			488,000	4
57,424,818	Net Operating Expenditure			8,684,999	
(3,211,359)	Demand on the Collection Fund			(3,338,925)	
(643,974)	General Government Grants			(620,552)	12
(3,179,881)	Non-Domestic Rates redistribution			(3,387,555)	
50,389,604	Deficit For Year			1,337,967	

Statement of Movement on the General Fund Balance

INTRODUCTION

The Income and Expenditure Account shows the council's actual performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- ❖ Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- ❖ The payment of a share of housing capital receipts to the government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- ❖ Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08		2008/09	Note
£		£	
50,389,604	Deficit for the year on the Income and Expenditure Account	1,337,967	
(50,188,179)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(1,242,025)	
201,425	Decrease in General Fund Balance for the Year	95,942	
(1,312,579)	General Fund Balance brought forward	(1,111,154)	
0	Housing Revenue Account Balances transferred to General Fund upon Closure of Housing Revenue Account	(1,006,447)	
(1,111,154)	General Fund Balance carried forward	(2,021,659)	

CORE FINANCIAL STATEMENTS ACCOUNTS 2008/09
Statement of Movement on the General Fund Balance

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 £		2008/09 £	Note
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General fund Balance for the year		
(56,416,523)	Depreciation and impairment of fixed assets	(898,675)	1
0	Amounts charged to income and expenditure for premiums and discounts	(379,956)	1
(362,240)	Excess of Depreciation charged to HRA over the Major Repairs Allowance	0	
199,755	Government Grants Deferred amortisation	226,299	34
(360,011)	Revenue Expenditure Funded from Capital under Statute	(245,400)	22
344,728	Net Gain on Disposals of Fixed Assets	61,161	
(1,129,000)	Net charges made for retirement benefits in accordance with FRS17	(1,175,000)	4
(57,723,291)		(2,411,571)	
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General fund Balance for the year		
194,658	Minimum revenue provision for capital financing	215,805	10
6,583,877	Overhanging Debt Grant for PWLB Loan Repayment	0	1
688,156	Capital expenditure charged in-year to the General Fund Balance	870,464	
(283,792)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(4,359)	
884,072	Employer's contributions payable to the Lancashire County Council Pension Fund and retirement benefits payable direct to pensioners	841,605	4
8,066,971		1,923,515	
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
360,254	Transfer of the Surplus/(Deficit) for the year on the HRA	(6,336)	
(892,113)	Net Transfers to or from Earmarked Reserves	(747,633)	35
(531,859)		(753,969)	
(50,188,179)	Net additional amount required to be credited to the General Fund Balance for the year	(1,242,025)	

Statement of Recognised Gains and Losses (STRGL)

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/08		2008/09	Note
£000		£000	
50,390	Deficit for the year on the Income and Expenditure Account	1,338	
(390)	(Surplus)/Loss arising on revaluation of fixed assets	0	28
4,306	Actuarial (gains)/ losses on pension fund assets and liabilities	(560)	4
227	Movement on Collection Fund Balance	129	
54,533	Total recognised losses for the year	907	

Balance Sheet

2007/08 £		2008/09 £	Note
	Fixed Assets		
62,623	Intangible Assets	38,812	15
	Tangible Fixed Assets		16
	<u>Operational Assets:</u>		
7,308,006	Other Land and Buildings	9,387,301	
2,450,636	Vehicles, Plant and Equipment	2,611,634	
247,456	Infrastructure Assets	241,157	
1,553,857	Community Assets	1,513,125	
	<u>Non Operational Assets:</u>		
724,456	Investment Properties	724,456	
12,347,034	Total Fixed Assets	14,516,485	
62,729	Long Term Debtors	53,633	21
12,409,763	Total Long Term Assets	14,570,118	
	Current Assets		
73,860	Stocks and Work in Progress	59,393	23
14,897,378	Debtors and Prepayments	1,372,517	24
3,400,000	Short Term Investments	1,585,000	
19,001	Cash	6,476	
	Current Liabilities		
(6,282,529)	Short Term Borrowing	(78,608)	
(3,628,050)	Creditors	(2,539,500)	25
(6,069,884)	Bank Overdraft	(139,089)	
14,819,539	Total Assets Less Current Liabilities	14,836,307	
(652,082)	Long Term Borrowing	(578,131)	26
(1,937,239)	Government Grants Deferred	(3,161,579)	34
(10,780,928)	Liability Related to Defined Pension Schemes	(10,554,324)	4
1,449,290	Total Assets Less Liabilities	542,273	

Balance Sheet

2007/08 £		2008/09 £	Note
	<i>Financed by:</i>		
8,178,113	Capital Adjustment Account	8,031,296	29
17,653	Deferred Credits	9,809	32
0	Usable Capital Receipts Reserve	0	33
2,009,930	Earmarked Reserves	1,262,297	35
(10,780,928)	Pension Reserve	(10,554,324)	4
1,111,154	Balances - General Fund	2,021,660	
1,012,783	- Housing Revenue Account	0	
(99,415)	- Collection Fund	(228,465)	
1,449,290	Total Equity	542,273	

These financial statements replace the unaudited financial statements authorised at the meeting of Accounts and Audit Committee on 24 June 2009.

Signed By

JANE L PEARSON
DIRECTOR OF RESOURCES CPFA

16 September 2009

Cash Flow Statement

2007/08 £000		2008/09	
		£000	£000
	Revenue Activities		
	Cash Outflows:		
7,768	Cash Paid to and on Behalf of Employees	6,774	
17,324	Other Operating Cash Payments	11,249	
4,675	Housing Benefits Paid out	4,946	
9,538	NNDR Payment to the National Pool	10,700	
27,861	Precepts Paid	28,757	
284	Payments to the Capital Receipts Pool	4	
67,450		62,430	
	Cash Inflows:		
(3,251)	Rents (After Rebates)	0	
(30,534)	Council Tax Receipts	(31,628)	
(3,180)	NNDR Receipts From the National Pool	(3,388)	
(9,618)	NNDR Receipts	(10,782)	
(644)	General Government Grants	(621)	
(3,081)	DWP Grant for Benefits	(4,961)	
(1,934)	Other Government Grants	(2,658)	
(8,977)	Cash Received for Goods and Services	(19,474)	
(284)	Other Operating Cash Receipts	(4)	
(61,503)		(73,516)	
5,947	Net Cash Outflow/(Inflow) From Revenue Activities		(11,086)
	Returns on Investments and Servicing of Finance		
336	Cash Outflows- Interest Paid	35	
(332)	Cash Inflows - Interest Received	(238)	
4	Net Cash Outflow From Returns on Investments and Servicing of Finance		(203)

Cash Flow Statement

2007/08 £000		2008/09	
		£000	£000
	<i>Capital Activities</i>		
3,671	Cash Outflows - Purchase of Fixed Assets	3,826	
284	- Other Capital Cash Payments	4	
(590)	Cash Inflows - Sales of Fixed Assets	(69)	
(1,169)	- Capital Grants Received	(445)	
(898)	- Other Capital Cash Receipts	(2,408)	
1,298	Net Cash Outflow From Capital Activities		908
7,249	Net Cash Outflow Before Financing		(10,381)
	<i>Management of Liquid Resources</i>		
(800)	Net Increase/(Decrease) in Short Term Deposits		(1,815)
	<i>Financing</i>		
536	Cash Outflows - Repayment of Debts	6,278	
(1,000)	Cash Inflows - New Loans Raised	0	
(464)	Financing Net Cash Outflow/(Inflow)		6,278
5,985	(Increase)/Decrease in Cash and Cash Equivalents		(5,918)

For further information see notes 45-50 to the core financial statements.

Notes to the Core Financial Statements

1 EXCEPTIONAL ITEMS

Exceptional items are ones that are material in terms of the authority's overall expenditure and not expected to occur frequently or regularly.

Overhanging Debt Grant and Amortisation of Premiums and Discounts

On 31 March 2008 the Council transferred its housing stock to Ribble Valley Homes Ltd. As a result of the transfer the Government repaid PWLB housing related debt of £6.2m and associated premiums and discounts totalling £0.4m on 3 April 2008.

This total was processed in the council's accounts as a government debtor in respect of overhanging debt grant in 2007/08, however the PWLB debt remained on the balance sheet at 31 March 2008 with the discharge taking place in 2008/09.

Impairment

The Council transferred its housing stock at a value of nil on 31 March 2008. The resulting impairment of £55.9m representing a consumption of economic benefits is included within the Housing Revenue Account expenditure for 2007/08 and is consolidated within the Income and Expenditure Account. This is reversed out via the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

2 NON DISTRIBUTED COSTS

This relates to *Past Service Pension Costs* and also *Effect of Settlements*, which in accordance with the Best Value Accounting Code of Practice are not included within service expenditure. These costs must be shown as Non Distributed Costs within the Income and Expenditure Account – Net Cost of Services.

3 TRADING SERVICES

The Council operates the following trading services with financial results as follows:

	2007/08 £	2008/09 £
Clitheroe Market - Income From Stall Holders	116,517	122,036
- Expenditure	(89,557)	(91,700)
- Depreciation	(5,783)	(5,783)
<i>Surplus Transferred to General Fund</i>	21,177	24,553
Albion Mill - Income From Rents	37,830	39,648
- Expenditure	(30,576)	(30,463)
<i>Surplus Transferred to General Fund</i>	7,254	9,185
<i>Net Surplus on Trading Services</i>	28,431	33,738

Notes to the Core Financial Statements

4 PENSIONS

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government pension scheme. The scheme is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Change in Accounting Policy

Under the 2008 SORP the council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £28.394m to £28.338m, a decrease of £56,000 resulting in an increase of the pension deficit of £56,000 (31 March 2007: increase in pension deficit of £59,000).

The Income and Expenditure Account, Statement of Total Recognised Gains and Losses and Balance Sheet have been restated to reflect these changes as follows:

	2007/08 Original £000	2007/08 Restated £000	Difference £000
Income and Expenditure Account			
Pensions Interest Cost and Expected Return on Pensions Assets	(12)	(9)	(3)
Statement of Movement on General Fund Balance			
Net Charges made for retirement benefits	(1,126)	(1,129)	3
Statement of Total Recognised Gains and Losses			
Actuarial Gain/(Loss)	(4,312)	(4,306)	(6)
Balance Sheet			

Notes to the Core Financial Statements

	2007/08 Original £000	2007/08 Restated £000	Difference £000
Pension Liability/Pension Fund brought forward 1/4/07	(6,171)	(6,230)	59
Pension Liability/Pension Fund carried forward 31/3/08	(10,725)	(10,781)	56

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the net cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the accounts in the Statement of Movement on the General Fund Balance. The following transactions have been made in the accounts during the year:

Local Government Pension Scheme	2007/08 as restated £000	2008/09 £000
Income and Expenditure Account Entries		
Net Cost of Services - Current Service Cost	845	922
- Past Service Cost	293	8
- Effect of Settlements	0	(243)
Net Operating Expenditure:		
Interest Cost	1,924	2,274
Expected Return on Assets in the Scheme	(1,933)	(1,786)
Net Charge to the Income and Expenditure Account	1,129	1,175
Statement of Movement on the General Fund Balance:		
Reversal of net charges made for Retirement Benefits in accordance with FRS17	(1,129)	(1,175)
Actual Amount Charged Against Council Tax for Pensions in the Year:		
Employers Pension Contributions Payable to Scheme	884	841

Notes to the Core Financial Statements

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £560,000 (£4,306,000 loss for 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme	2007/08 £000	2008/09 £000
1 April	35,578	39,119
Current Service Cost	845	922
Interest Cost	1,924	2,274
Contributions by scheme participants	308	314
Actuarial (gains)/losses on liabilities	1,230	(7,827)
Benefits paid	(1,059)	(1,185)
Past Service Costs	293	8
Settlements	0	(1,870)
31 March	39,119	31,755

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	2007/08 £000	2008/09 £000
1 April	29,348	28,338
Expected return on plan assets	1,933	1,786
Actuarial gains/(losses) on assets	(3,076)	(7,267)
Employer contributions	884	841
Settlements	0	(1,627)
Member contributions	308	314
Benefits/Transfers paid	(1,059)	(1,185)
31 March	28,338	21,200

The expected return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumed investment return on government bonds is the yield on 20 year fixed interest gilts at the relevant date.

Notes to the Core Financial Statements

The expected investment return on corporate bonds is based on market yields at the relevant date, but this has been restricted to an expected return of 2% per annum over and above that available on gilts, reflecting an increased risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is now lower than the discount rate used in the calculations.

The assumed investment return on equities is the yield on 20 year fixed interest gilts plus an allowance of approximately 3.5% per annum for the 'risk premium' associated with equity investment. This is a higher risk premium than used in the past, reflecting the increased demand for gilts, partly as a result of the Government's programme of quantitative easing. As mentioned above, the yield on 20 year Government bonds as at 31 March 2009 was 4% per annum, and adding 3.5% to this gives 7.5% per annum.

The actual return on scheme assets in the year was (£5.481m), for 2007/08 (£0.435m).

Scheme History

Local Government Pension Scheme	2004/05* £000	2005/06* £000	2006/07 £000 As restated	2007/08 £000 As restated	2008/09 £000
Present Value of Liabilities	30,270	35,210	35,578	39,119	31,755
Fair Value of Assets	(22,297)	(27,709)	(29,348)	(28,338)	(21,200)
Deficit/(Surplus) in the scheme	7,973	7,501	6,230	10,781	10,555

***The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £10.555m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in the overall balance being reduced to £0.542m

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £0.835m.

Notes to the Core Financial Statements

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the scheme on 31 March 2007.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2007/08 %	2008/09 %
Long term expected rate of return on assets in the scheme:		
Equity investments	7.5	7.5
Government Bonds	4.6	4.0
Other Bonds	6.1	6.0
Property	6.5	6.5
Cash/Liquidity	5.25	0.5
Other	7.5	7.5
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	21.1 years	21.2 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners:		
Men	22.2 years	22.2 years
Women	25.0 years	25.0 years
Rate of inflation	3.6	3.3
Rate of increase in salaries	5.35	5.05
Rate of increase in pensions	3.6	3.3
Rate for discounting scheme liabilities	6.1	7.1
Take-up of option to convert annual pension into retirement lump sum	50.0	50.0

Notes to the Core Financial Statements

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Local Government Pension Scheme	31 March 2008 %	31 March 2009 %
Equity investments	62.2	61.2
Government Bonds	7.1	7.8
Other Bonds	15.0	12.3
Property	6.0	7.4
Cash/Liquidity	3.3	4.9
Other	6.4	6.4
Total	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

Local Government Pension Scheme	2004/05 %	2005/06 %	2006/07 %	2007/08 % As restated	2008/09 %
Differences between the expected and actual return on assets	4.7	13.7	0.7	10.9	34.3
Experience gains and losses on liabilities	1.3	2.0	0.0	2.3	0.0

Pensions relating to Staff Transferred to Ribble Valley Homes

Following the Housing Stock Transfer a number of staff were transferred to Ribble Valley Homes with effect from 1 April 2008. The effect of the transfer on the Pension Fund assets and liabilities at that date, assuming that the transfer was fully funded on the actuarial valuation basis, is shown below. This initial allocation of assets in respect of this transfer is provisional and will be reviewed at the 2010 actuarial valuation of the Fund.

Notes to the Core Financial Statements

	Year ended 31/3/09 £000
Change in Benefit Obligations	(1,870)
Change in Plan Assets	(1,627)
Effect of Settlements (shown in Non Distributed Costs on face of Income and Expenditure Account)	(243)

5 EXPENDITURE ON PUBLICITY

The Council is required under section 5(1) of the Local Government Act 1986 to disclose the amount of expenditure on publicity for the year.

	2007/08 £	2008/09 £
Recruitment Advertising	19,983	19,790
Other Advertising	14,922	13,482
Other Publicity	41,970	49,056
	76,875	82,328

6 DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the UK and mayoral appeals. The Council's expenditure in 2008/09 under this power was £112,790 mainly on donations to voluntary bodies working in the local area. (£85,660 for 2007/08).

7 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council does not receive any income from bodies under the Local Authority (Goods and Services) Act 1970.

Notes to the Core Financial Statements

8 OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contribution, was £50,000 or more in bands of £10,000 was:

	2007/08	2008/09
£50,000 - £59,999	1	1
£60,000 - £69,999	1	0
£70,000 - £79,999	2	3
£80,000 - £89,999	0	0
£90,000 - £99,999	1	0
£100,000 - £110,000	0	1

9 RELATED PARTY TRANSACTIONS

Information in respect of material transactions with related parties is required to be disclosed. A number of these transactions have already been disclosed within the financial statements, as follows:

- a) Transactions with central government have been disclosed within both the income and expenditure account and the cash flow statement, as well as in notes to the core financial statements.
- b) Transactions with other public bodies, ie Lancashire County Council and the district councils of Lancashire, have been disclosed within the income and expenditure account and the cash flow statement, as well as in the other notes to the accounts.
- c) Transactions with the Lancashire pension fund have been disclosed within the statement of accounting policies and in detail in the notes to the core financial statements.

In addition:

Members of the Council have direct control over the Council's financial and operating policies. Details of member interests are recorded in the Register of Members Interests, which is open to public inspection at the Council Offices, Clitheroe. A number of members represent the Council on external bodies and organisations.

Four members of the Council are Board Members of Ribble Valley Homes to whom the council transferred its housing stock on 31 March 2008.

There are no material transactions to disclose relating to chief officers (including their close family).

Notes to the Core Financial Statements

10 MINIMUM REVENUE PROVISION

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require the authority to charge to the Income and Expenditure Account a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. For 2008/09 the Authority has exercised its choice to continue to calculate MRP as a % (presently 4%) of the Authority's General Fund Capital Financing Requirement. The amounts are:

Minimum Revenue Provision	2007/08 £000	2008/09 £000
Total Minimum Revenue Provision	194	216

11 MEMBERS' ALLOWANCES

During the year an amount of £189,962 (2007/08 - £184,435) was paid to members in respect of allowances.

12 GENERAL GOVERNMENT GRANTS

The Council received the following *General Government Grants* which are shown on the bottom of the Income and Expenditure Account. These are grants towards the general expenditure of the Council rather than specific grants which are credited to the relevant service.

	2007/08 £000	2008/09 £000
Revenue Support Grant	534	471
Local Authority Business Growth Incentive Scheme	110	126
Area Based Grant	0	23
	644	620

Notes to the Core Financial Statements

13 BUILDING CONTROL

Local authorities are required by the Building (Local Authority Charges) Regulations 1998 to publish an annual statement of the costs of the Building Control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shown below shows the total cost of building control divided between the chargeable and non-chargeable activities.

	Chargeable £	Non Chargeable £	Total Building Control £
<i>Expenditure</i>			
Employees Expenses	3,744	3,550	7,294
Transport Related Expenses	18,487	0	18,487
Supplies and Services	30,177	0	30,177
Third Party Payments	0	502	502
Employee Costs	235,765	74,725	310,490
<i>Total Expenditure</i>	288,173	78,777	366,950
<i>Income</i>			
Building Regulation Charges	(224,584)	0	(224,584)
Miscellaneous Income	0	(10,497)	(10,497)
Recharges to Other Services	0	(41,430)	(41,430)
<i>Total Income</i>	(224,584)	(51,927)	(276,511)
<i>Deficit for Year</i>	63,589	26,850	90,439
<u>Comparatives for 2007/08</u>			
<i>Expenditure</i>	265,285	68,217	333,502
<i>Income</i>	(247,633)	(51,892)	(299,525)
<i>(Surplus)/Deficit for 2007/08</i>	17,652	16,325	33,977

Building Control Reserve Fund	£
Balance 1 April 2008	171,546
Less Deficit in 2008/09	63,589
Balance 31 March 2009	107,957

Notes to the Core Financial Statements

14 EXTERNAL AUDIT COSTS

The Council has incurred the following fees relating to external audit and inspections:

	2007/08 £	2008/09 £
Fees Payable:		
To PricewaterhouseCoopers with regard to External Audit Services	81,233	0
To Audit Commission with regard to External Audit Services	0	89,859
To the Audit Commission in respect of Statutory Inspection	5,899	5,972
To Audit Commission in respect of 2007/08 Corporate Performance Assessment	0	13,720
To PricewaterhouseCoopers for Certification of Grant Claims and Returns	32,000	0
To Audit Commission for Certification of Grant Claims and Returns	0	28,000
In respect of Other Services provided by PricewaterhouseCoopers:		
- Advice on Housing Stock Transfer	110,207	0
	229,339	137,551

15 INTANGIBLE FIXED ASSETS

Intangible fixed assets are those items which, although the cost incurred in their acquisition is of a capital nature there is no physical tangible asset to show. Amortisation of the intangible fixed assets shown below is calculated on a straight line basis over 5 years starting on the year after purchase and relates to the new financial ledger system that was purchased in 2005/06.

Movement in Intangible Assets	Purchased Software Licences £000
Original Cost	119
Amortisation to 1 April 2008	(56)
Balance at 1 April 2008	63
Expenditure in Year	
Written Off to Revenue in year	(24)
Balance at 31 March 2009	39

Notes to the Core Financial Statements

16 FIXED ASSETS

Our fixed assets are analysed as follows:

Operational Assets

	Other Land and Buildings £000	Vehicles and Plant £000	Infra - Structure £000	Community Assets £000	Total £000
Gross value at 31 March 2008	8,121	4,013	294	1,592	14,020
Accumulated Depreciation	(813)	(1,562)	(47)	(38)	(2,460)
Net Book Value of Assets at 31 March 2008	7,308	2,451	247	1,554	11,560
Movement in 2008/09					
Additions	2,256	644	0	168	3,068
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Depreciation	(124)	(472)	(6)	(9)	(611)
Reclassification	0	0	0	0	0
Impairment	(53)	(11)	0	(200)	(264)
Net Book Value of Assets at 31 March 2009	9,387	2,612	241	1,513	13,753

Notes to the Core Financial Statements

Non-Operational Assets

	Non- Operational Assets £000
Gross Valuation at 31 March 2008	724
Accumulated Depreciation	0
Net Book Value of Assets at 31 March 2008	724
Movement in 2008/09 - Additions	0
- Disposals	0
- Revaluations	0
- Depreciation	0
- Reclassification	0
Net Book Value of Assets at 31 March 2009	724

17 ANALYSIS OF FIXED ASSETS AS AT 31 MARCH

	2008 Number	2009 Number
Offices	1	1
Town Hall/Civic Suite	1	1
Depots and Workshops	2	2
Off Street Car Parks	28	28
Sports Centre	1	0
Swimming Pool	1	1
Museum and Heritage Centre	1	1
Parks and Recreation Grounds	148 ha	148 ha
Civic Halls	1	1
Markets	2	2
Cemeteries	1	1
Industrial Property Rented Out	6	6
Public Conveniences	25	25
Camping and Caravan Site	1	1

Notes to the Core Financial Statements

18 VALUATION OF FIXED ASSETS

The freehold and leasehold properties, which comprise the authority's property portfolio, were revalued on 1 March 2005 by the district valuer, Mr Robin M Hughes BA (Econ) FRICS of the Valuation Office Agency Preston. Not all properties were inspected; this was neither practicable nor considered necessary for the purpose of the valuation.

Both properties regarded by the authority as operational and non-operational were valued on the basis of open market value for their existing use. Community assets are included either at historical cost or a nominal value of £1.

19 SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

The following statements give details of the capital expenditure (that is expenditure on assets which will be of benefit for a number of years) and how the expenditure has been financed.

Capital Expenditure and Financing

	2007/08 £000	2008/09 £000
Opening Capital Financing Requirement	8,238	8,800
Capital Investment - Operational Assets	3,312	3,068
- Intangible Assets	0	0
- Revenue Expenditure Funded from Capital Under Statute	360	759
Sources of Finance:		
Capital Receipts	(307)	(65)
Government Grants and Other Contributions	(1,149)	(1,964)
Revenue Contributions	(1,460)	(870)
Minimum Revenue Provision	(194)	(216)
LSVT Receipt used to Repay Housing Debt	0	(3,405)
Closing Capital Financing Requirement	8,800	6,107
Explanation of Movements in Year		
Increase in Underlying Need to Borrow:		
Supported by Government Financial Assistance	33	0
Unsupported by Government Financial Assistance	723	928
Minimum Revenue Provision	(194)	(216)
LSVT Receipt used to Repay Housing Debt	0	(3,405)
Increase/(Decrease) in Capital Financing Requirement	562	(2,693)

Notes to the Core Financial Statements

Analysis by Sources of Finance

Some expenditure under the capital programme is funded from cash resources already available to the Council. These include receipts from the sale of assets, grants and contributions from Government and other bodies, and contributions from revenue funds. Other sources of funding include the major repairs reserve for housing revenue account expenditure and borrowing.

	2007/08 £	2008/09 £
Revenue Contribution to Capital Outlay	64,674	16,052
Financed by Borrowing	756,337	927,776
Capital Grants	1,148,479	1,963,764
Capital Receipts	306,597	64,648
Major Repairs Allowance	772,022	0
Capital Fund	623,483	854,412
	3,671,592	3,826,652

20 CAPITAL COMMITMENTS ON CONTRACTS

Capital projects may take several years to complete. Therefore the Council can be committed to capital expenditure in the following years, arising from contracts already placed and agreed at 31 March 2009, but which all or part of the work has yet to be undertaken. Major commitments for work in progress at the end of the year related to the following schemes:

	31 March 2009 £000
Clitheroe Castle Improvement Scheme	206

Notes to the Core Financial Statements

21 LONG TERM DEBTORS

At 31 March	2008 £	2009 £
Advances to Mortgagors	14,562	7,527
Car Loans	3,167	11,106
Ribble Valley Sports & Recreation Association	45,000	35,000
	62,729	53,633

22 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

The accounting policy on Deferred Charges has been removed and replaced with one on Revenue Expenditure Funded from Capital Under Statute, which is created when revenue expenditure qualifies as capital for control purposes but does not result in the acquisition, creation or enhancement of a tangible fixed asset.

	2008/09 £000
Revenue Expenditure Funded from Capital Under Statute – charged to Income and Expenditure Account	759
Financed by:	
Grants credited to Income and Expenditure Account	513
Capital Sources - debited to Capital Adjustment Account	246
	759

23 STOCKS AND WORK IN PROGRESS

At 31 March	2008 £	2009 £
Stocks - Stores	56,246	42,856
- Tourism Stocks	3,949	5,517
- Other	13,665	11,020
	73,860	59,393

Notes to the Core Financial Statements

24 DEBTORS AND PREPAYMENTS IN ADVANCE

At 31 March	2008 £	2009 £
Government Departments	13,733,832	342,899
Other Local Authorities	37,777	142,328
House Purchase and Improvement Loans	3,090	2,282
Sundry Debtors	754,412	364,964
NNDR	156,486	295,352
Council Tax	491,956	521,728
Prepayments	87,921	127,868
	15,265,474	1,797,421
Less Provision for Doubtful Debts	(368,096)	(424,904)
	14,897,378	1,372,517

Included within Government Departments as at 31 March 2008 were two exceptional amounts:

- £6.5m in respect of the Overhanging Debt Grant, which was paid by the Government on 3 April 2008.
- £6.4m in respect of reclaimable VAT necessary in order to set up a VAT shelter with Ribble Valley Homes Ltd.

25 CREDITORS AND RECEIPTS IN ADVANCE

At 31 March	2008 £	2009 £
Government Departments	132,322	271,597
Inland Revenue	141,065	136,751
Other Local Authorities	197,724	100,325
Private Street Works	2,358	2,358
Sundry Creditors	1,698,171	994,485
NNDR	61,606	49,135
Council Tax	266,398	271,771
Commutated Sums	281,991	54,960
Refundable Deposits	35,394	14,634
Receipts in Advance	811,021	643,484
	3,628,050	2,539,500

Notes to the Core Financial Statements

26 LONG TERM BORROWING

Source of Loan	Total Outstanding 31 March	
	2008 £	2009 £
Public Works Loan Board	649,239	578,131
Other Local Authorities	2,843	0
	652,082	578,131

Analysis of loans by maturity:

At 31 March	2008 £000	2009 £000
Between 1 and 2 years	72	71
Between 2 and 5 years	214	213
Between 5 and 10 years	219	157
More than 10 years	147	137
	652	578

Notes to the Core Financial Statements

27 RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Summary Introduction to detail of movements on Reserves

Reserve	Balance 1 April 2008 £	Net Movement in Year £	Balance 31 March 2009 £	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	0		0	Store of gains on revaluations of fixed assets	See Note 28
Capital Adjustment Account	8,178,113	(146,817)	8,031,296	Store of capital resources set aside to meet past expenditure	Note 29
Available-for-sale Financial Instruments Reserve	0		0	Store of gains on revaluation of investments not yet realised through sales	Note 30
Financial Instruments Adjustment Account	0		0	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 31
Deferred Credits	17,653	(7,844)	9,809	Amounts from future sales of assets	Note 32
Usable Capital Receipts	0	0	0	Proceeds of fixed asset sales available to meet future capital investment	Note 33
Earmarked Reserves	2,009,930	(747,633)	1,262,297	Sums voluntarily set aside to meet specific expenditure	Note 35
Pensions Reserve	(10,780,928)	226,604	(10,554,324)	Balancing account for Pension Liability in the Balance Sheet	Note 4
General Fund	1,111,154	(95,942) <u>*1,006,447</u> 910,505	2,021,659	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account	1,012,783	(6,336) <u>*(1,006,447)</u> (1,012,783)	0	Resources available to meet future running costs for council houses	See HRA statements

Notes to the Core Financial Statements

Reserve	Balance 1 April 2008 £	Net Movement in Year £	Balance 31 March 2009 £	Purpose of Reserve	Further Details of Movements
Collection Fund	(99,415)	(129,050)	(228,465)	Statutory account showing transactions for council tax and NNDR	See Collection Fund Section
Total	1,504,945	(962,672)	542,273		

**Transfer of Housing Revenue Account balances to General Fund Balances at 31 March 2009*

28 REVALUATION RESERVE

The Revaluation Reserve replaced the Fixed Asset Restatement Reserve (FARA). The purpose of the Revaluation Reserve is to represent the difference between valuations as at 31 March 2007 and current valuations. Gains arising before that date have been consolidated into the Capital Adjustment Account.

	2007/08 £000	2008/09 £000
<u>Revaluation Reserve</u>		
Balance at 1 April	0	0
Revaluation Gains on Disposal of Assets	(390)	0
Writing out Revaluation Gains on Disposal to Capital Adjustment Account	390	0
Balance at 31 March	0	0

29 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account was created on 31 March 2007 from the amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account.

The account records:

- ✧ the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets;
- ✧ the historical cost of deferred charges over the period that the Council benefits from the expenditure; and
- ✧ the resources set aside by the Council to finance capital expenditure.

Notes to the Core Financial Statements

	2007/08 £000	2008/09 £000
<u>Capital Adjustment Account</u>		
Balance at 1 April	(57,135)	(8,178)
Financing of Capital Expenditure:		
Capital Receipts	(307)	(65)
Revenue	(688)	(871)
Major Repairs Allowance	(772)	0
Revenue Expenditure funded from Capital Under Statute	360	246
Removal of credit from amortisation of government grants deferred	(200)	(226)
MRP	(194)	(216)
Discharge of PWLB Debt by DCLG	0	380
Overhanging Debt Grant for PWLB Loan Repayment	(6,584)	0
Depreciation	1,544	635
Writing out carrying amount upon sale of assets	580	0
Writing out net capital income received	7	0
Impairment of Assets	55,946	264
Revaluation Gains on disposal of assets	(390)	0
Net gain on disposals	(345)	0
Balance at 31 March	(8,178)	(8,031)

30 AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE

This is a reserve to reflect the changes in fair value for available-for-sale assets arising from any unrecognised gains or losses. The balance on this account at 31 March 2009 is nil.

31 FINANCIAL INSTRUMENTS ADJUSTMENTS ACCOUNT

The Financial Instrument Adjustment Account is a reserve to reflect the accounting requirements for Financial Instruments. The balance on this account at 31 March 2009 is nil.

Notes to the Core Financial Statements

32 DEFERRED CREDITS

Deferred capital receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on past sales of council houses that form the main part of mortgages under long-term debtors.

	2007/08 £000	2008/09 £000
Balance at 1 April	22	18
Principal Repayments - Mortgages	(4)	(8)
Balance at 31 March	18	10

33 USABLE CAPITAL RECEIPTS

Capital Receipts arise from the sale of assets owned by the Council. Any receipts from General Fund asset sales are credited to the Usable Capital Receipts Reserve to finance future capital expenditure.

	2007/08 £000	2008/09 £000
Balance at 1 April	0	0
Receipts in Year	307	65
Used to Finance Capital Expenditure	(307)	(65)
Balance at 31 March	0	0

34 GOVERNMENT GRANTS DEFERRED

The balance on this account represents the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset, taking into account depreciation.

	2007/08 £000	2008/09 £000
Balance at 1 April	1,326	1,937
Grants Applied to finance Capital Expenditure	811	1,451
Release of Grants Amortised to Revenue	(200)	(226)
Balance at 31 March	1,937	3,162

Notes to the Core Financial Statements

35 EARMARKED RESERVES

The following table sets out details of movement within the year of the Council's Earmarked Reserves. These have been set up voluntarily to set aside resources for future spending plans.

	1 April 2008 £	Receipts in Year £	Payments in Year £	31 March 2009 £
<i>General Fund</i>				
Vehicles and Equipment Fund	995,984		(995,984)	0
Local Recreation Grants Fund	17,196	3,408	(220)	20,384
Elections Fund	14,719	18,449	(4,551)	28,617
Audit Reserve Fund	13,230		(895)	12,335
Building Control Fund	171,546		(63,589)	107,957
Rural Development Reserve	1,631			1,631
Single Status	56,455		(1,825)	54,630
Capital	426,293	1,260,852	(854,412)	832,733
Insurance	20,000			20,000
Christmas Lights/RV in Bloom	6,660		(3,100)	3,560
Risk Management	5,813	3,000	(2,995)	5,818
Community Enhancement	3,939			3,939
New Community Enhancement Schemes	47,438		(40,629)	6,809
Rent Deposit Reserve	9,337		(1,500)	7,837
RCCO Unapplied (General Fund)	39,186		(16,052)	23,134
Longridge Schemes	96,900		(2,000)	94,900
Parish Schemes	44,007		(39,378)	4,629
Local Development Framework	34,951		(23,368)	11,583
LALPAC Licensing System	4,645		(2,779)	1,866
Castle Museum	0	7,391		7,391
Homelessness Unit Adaptations	0	3,000		3,000
Information Technology Equipment	0	2,700		2,700
Conservation Reserve	0	6,844		6,844
<i>Movement on General Fund Reserves</i>	<i>2,009,930</i>	<i>1,305,644</i>	<i>(2,053,277)</i>	<i>1,262,297</i>

Notes to the Core Financial Statements

Notes

Vehicles and Equipment Fund	- Used to fund replacements and generally support the capital programme
Local Recreation Grants	- Used to fund recreation grants
Election Fund	- Used to fund borough elections held once every four years
Audit Reserve Fund	- Used for computer audit
Building Control	- Available to equalise net expenditure over a three year period
Rural Development Reserve	- Used to fund consultation work on Rural Housing
Single Status	- Set aside to contribute towards future costs arising from single status/job evaluation
Capital Reserve Fund	- Used to fund capital programme
Insurance Reserve	- Available to meet any costs following demise of Municipal Mutual Insurance Company
Christmas Lights/RV in Bloom	- Available to fund contributions towards Xmas Lights/Ribble Valley in Bloom
Risk Management	- Set up to pump prime risk management issues
Community Enhancement	- Used to fund grants to local organisations
New Community Enhancement Schemes	- Additional reserve for funding grants to local organisations
Rent deposit Reserve	- Set aside for homeless rent deposits
Revenue Contributions Unapplied (RCCO)	- Used to fund capital expenditure
Longridge Grant Schemes	- Used to fund grants to schemes in Longridge
Parish Grant Schemes	- Used to fund Parish improvement schemes
Local Development Framework	- To finance Local Development Framework Costs
LALPAC Licensing System	- To fund costs of LALPAC licensing system
Castle Museum Reserve	- To fund the costs associated with the initial setup of the Clitheroe Castle Museum
Homelessness Unit Adaptations Reserve	- To fund work to make two flats at the homelessness unit self contained
Information Technology Equipment Reserve	- To fund time recording system
Conservation Reserve	- To fund conservation schemes completed after the financial year end

Notes to the Core Financial Statements

36 FINANCE AND OPERATING LEASES

The authority leased various vehicles, plant and equipment during the year. The amount paid to lessors was £20,193. Future cash payments required to be made are as follows:

	Operational Vehicles, Plant & Equipment £	Finance Leases £
Less than 1 Year	2,397	0
1 - 5 years	29,224	0
> 5 years	0	0
	31,621	0

37 CONTINGENT ASSETS

VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share their Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. Ribble Valley's share of reclaimable VAT is likely to be in the region of £4.8m over 15 years with the first payment due in 2009/10.

Receipts from Former Council House Sales

We have agreed to share any proceeds of former Council House Sales if they are subsequently sold by Ribble Valley Homes Ltd. The arrangement for sharing council house sales receipts lasts for 10 years from 1 April 2008 and the amount received will depend on the number of sales each year.

Cultural and Sporting Services VAT Reclaim

The Council has engaged the services of consultants to pursue a number of potential VAT claims for cultural and sporting services. The claims are currently being considered by HM Revenue and Customs and if successful could potentially lead to the reimbursement of around £140,000 of VAT plus interest. It is anticipated a decision will be made within the 2009/10 financial year.

Notes to the Core Financial Statements

38 CONTINGENT LIABILITIES

Housing Stock Transfer Warranties

Collateral warranty by the Council in favour of Security Trustee (Prudential Trustee Company Ltd)

The Council has given a number of warranties for up to 30 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Unlimited warranty for up to 30 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 30 years from 1 April 2008 in respect of claims relating to asbestos pollution, except that this shall not apply in respect of the first £381,000 of costs and expenses incurred in aggregate by the Trustees and Ribble Valley Homes in relation to works.

Warranties by the Council in favour of Ribble Valley Homes

The Council has given a number of warranties for up to 22 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Warranty not exceeding £27m for up to 25 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 15 years from 1 April 2008 in respect of claims relating to asbestos pollution, except in respect of the first £381,000 of costs and expenses in aggregate incurred in relation to the removal and treatment works.
- Unlimited warranty for an unlimited period in respect of claims relating to exposure to asbestos.
- Unlimited warranty for an unlimited period in respect of vices claims.
- Warranty for any losses arising as a result of incorrect application of the 2012 rent convergence.

Equal Pay Claims

The Council completed a Job Evaluation Review for all staff in 2007. Following this exercise the Council has received a number of equal pay claims. We are currently assessing the validity of such claims. If all these claims were to be successful the estimated cost would be approximately £50,000. It may be several years before claims are resolved.

Notes to the Core Financial Statements

39 FINANCIAL INSTRUMENTS

The main measurement bases used by the Council in preparing the treatment of Financial Instruments within its financial statements are as follows:

Financial Instrument	Basis of Measurement	Note
Investment – Fixed Rate	Held at carrying value on basis of materiality	Investments have both fixed term and fixed interest rates
Investments – Other	Held at carrying value on basis of materiality	
Soft Loans	Where material soft loans have been measured using an effective interest rate	The Council has no material soft loans
Contractual Debt/payables	Held at invoiced or billed amount less a provision for uncollectable debts	
PWLB Debt	Carrying value adjusted for interest due at year end	Borrowing is both fixed term and fixed interest rates
Financial Guarantee	Balance measured by applying a risk of the guarantee being called	The Council has not given any financial guarantees

The Council in compiling its accounts assessed all its financial instruments and there were a number that were not considered material to make adjustment to the carrying value of the asset or liability. These include soft loans and other minor investments. (A soft loan is where the Council has lent money at a lower than market rate.) Where this has occurred the Council adjusts, if material, the carrying value of the loan to reflect the cost to the council of the lower than market rate. The Council has no (material) soft loans as at 31 March 2009.

Financial Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Notes to the Core Financial Statements

- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

The Prudential Indicators are required to be reported and approved at or before the Council's annual Council Tax setting budget in early March. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported half yearly to Members.

Treasury Management activity is monitored by the Accountancy Section. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

This Council's treasury portfolio is not of a significant size to provide significant treasury risk.

Notes to the Core Financial Statements

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the treasury management practices.

The Council maintains strict credit criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults.

The Council maintains an approved list of organisations for investment purposes, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and sector.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31 March 2009 can be analysed by age as shown in the table below. Note 24 to the accounts shows a total provision for doubtful debts of £424,904, of which £24,656 relates to sundry debts.

	£000s
Less than 30 days	125
30 days to 59 days	19
60 days to 89 days	5
90 days to 119 days	8
120 days +	113
	270

Liquidity risk

The Council has ready access to borrowings from the Public Works Loan Board for Long Term Borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

Notes to the Core Financial Statements

Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategy addresses the main risks and the accountancy section address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

At 31 March	31 March 2009 £000
Less than one year	71
Between 1 and 2 years	71
Between 2 and 5 years	213
Between 5 and 10 years	158
More than 10 years	136
	649

Market risk

There are three market related risks the Council is aware of: Interest Rate Risk, Price Risk and Foreign Exchange Risk. Further details of each risk are outlined below:

Interest rate risk

The Council has limited exposed to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants.

The aim of the prudential indicators is to contain the activity of the treasury function within certain limits thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions that could impact negatively on the Council's overall financial position. These new indicators, which were approved as part of the annual budget on 10 March 2009, are as follows:

Notes to the Core Financial Statements

LIMITS IN INTEREST RATE EXPOSURE			
	2009/10 Upper	2010/11 Upper	2011/12 Upper
Maximum Principal Sums Borrowed >364 Days	£9.4m	£9.8m	£9.8m
Limits on Fixed Interest Rates	100%	100%	100%
Limits on Variable Interest Rates	20%	20%	20%

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Accountancy Section will monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would only impact on the interest receivable on variable rate investments by £39,000. The approximate impact of a 1% fall in interest rates would be the reverse. All other interest payable and receivable are fixed.

There is a possibility that Government could increase funding for the financing costs in future year funding settlements. However given the three year funding settlement it is unlikely to be quantifiable. In addition, funding is generally paid periodically through the year and the effect on cashflow will vary through various factors making it an extremely complex calculation to assess the impact on interest.

Price risk

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Notes to the Core Financial Statements

40 FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
Financial Liabilities at amortised cost	652	578	6,275	588
Total borrowings	652	578	6,275	588
Loans and receivables	63	54	3,403	1,832
Total Investments	63	54	3,403	1,832

The Financial Liabilities at amortised cost represent borrowings from the PWLB, and another local authority. The Loans and receivables (Long-Term) consist of mortgages, car loans and a loan to Ribble Valley Sports & Recreation Association. Loans and receivables (Current) represent Cash Investments with Banks, Building Societies and Other Local Authorities. The change in year reflects a reduction in the council's cash balances available for investment.

41 FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the PWLB the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2008 and 31 March 2009 respectively.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- The fair values are calculated as follows:

Notes to the Core Financial Statements

	31 March 2008		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	6,924	7,295	649	723

The fair value is greater than the carrying amount because the Authority's portfolio of loans are at fixed interest rates and the premature repayment set of rates in force at 31 March 2009 were generally higher than the rates at which the money was borrowed.

42 AREA BASED GRANT

From the 2008/09 financial year Local Area Agreement Grant has been replaced by Area Based Grant (ABG). Area Based Grant is a non-ringfenced grant which means no conditions are imposed on its use and Council's have full control over how funding can be used. This grant is paid directly to the authority that benefits from the grant.

For 2008/09 Ribble Valley Borough Council received £22,500. This is shown within *General Government Grants* at the bottom of the Income and Expenditure Account.

43 ANALYSIS OF NET ASSETS EMPLOYED

	2007/08 £000	2008/09 £000
General Fund	837	542
Housing	613	0
Trading Operations	0	0
	1,450	542

44 AUTHORISED FOR ISSUE DATE

The Statement of Accounts 2008/09 were authorised for issue on 16 September 2009 by Jane L Pearson CPFA, Director of Resources. Events after the 'authorised for issue' date have not been included in the Statement of Accounts.

Notes to the Core Financial Statements

NOTES SPECIFICALLY FOR CASH FLOW STATEMENT

45 ANALYSIS OF OTHER GOVERNMENT GRANTS

2007/08 £000		2008/09 £000
	<i>Revenue</i>	
154	Planning Delivery Grant	70
1,907	Council Tax Benefits	2,097
79	NNDR Cost of Collection	81
284	Benefit Administration Subsidy	232
(525)	Housing Revenue Subsidy	0
35	Concessionary Travel	153
0	Register of Electors	5
0	Council Tax Leaflet Efficiency Information	4
0	Employment Support	16
1,934	Total Government Grants	2,658

46 RECONCILIATION OF DEFICIT ON INCOME AND EXPENDITURE ACCOUNT TO MOVEMENT IN REVENUE ACTIVITIES

2007/08 £000		2008/09 £000
201	Deficit per Income & Expenditure Account	96
227	Deficit on Collection Fund	129
(360)	Deficit/(Surplus) on Housing Revenue Account	6
(6,384)	Non Cash Transactions	951
	<i>Movement in Current Assets/Liabilities</i>	
12,990	Change in - Debtors & Stock	(13,244)
(727)	- Creditors	976
5,947	Net Cash (Inflow)/Outflow From Revenue Activities	(11,086)

Notes to the Core Financial Statements

47 MOVEMENTS IN CASH

2007/08 £000		01/04/08 £000	31/03/09 £000	Movement £000
(5,985)	Increase/(Decrease) in Cash	(6,051)	(133)	5,918

48 ANALYSIS OF NET DEBT

Movement in 2007/08 £000		Balance 01/04/08 £000	Balance 31/03/09 £000	Movement in Year £000
(5,985)	Cash/Cash Overdrawn	(6,051)	(133)	5,918
(800)	Investments	3,400	1,585	(1,815)
(464)	Borrowing	(6,935)	(657)	6,278
(7,249)	(Increase)/Decrease in Net Debt	(9,586)	795	10,381

49 RECONCILIATION OF MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

2007/08 £000		£000	2008/09 £000
(5,985)	Increase/(Decrease) in Cash in period	5,918	
(464)	Cash Outflow/(Inflow) From Decrease/ (Increase) in Debt	6,278	
(800)	Cash Inflow From Reduction in Investments	(1,815)	
(7,249)	Change in Net Debt	10,381	
(2,337)	Net Debt as at 1 April		(9,586)
(9,586)	Net Debt as at 31 March		795

50 DEFINITION OF LIQUID RESOURCES

The liquid resources figure in the cash flow statement is solely short-term investments. These are disclosed on the face of the balance sheet.

Housing Revenue Account

The housing revenue account deals with the provision and maintenance of council houses and flats. There is a statutory requirement to keep this account separate from those of other housing activities carried out by the Council.

On 31 March 2008, the Council transferred its housing stock to Ribble Valley Homes Ltd, which is a Registered Social Landlord (RSL) monitored and regulated by the Housing Corporation. During 2008/09 there have been a small number of transactions which relate to the transferred housing stock, but for which the council are liable. Details are shown below of income and expenditure for 2007/08 and 2008/09.

2007/08 £		£	2008/09 £	Note
	Income			
(3,191,112)	Gross Dwelling Rents	0		
(59,645)	Gross Non Dwelling Rents	0		
(281,747)	Charges for Services and Facilities	0		
0	Contributions Towards Expenditure	(640)		
(313)	Reduction in Bad Debt Provision	0		
(22,821)	Housing Revenue Account subsidy receivable	(20,955)		2
(3,555,638)	Total Income		(21,595)	
	Expenditure			
1,190,905	Repairs and Maintenance	31,924		
524,094	Supervision and Management	24,272		
547,735	Negative Housing Revenue Account subsidy payable	0		2
57,018,890	Depreciation and Impairment of Fixed Assets	0		3
26,090	Debt Management Costs	0		
59,307,714	Total Expenditure		56,196	
(6,583,877)	Exceptional Item - Overhanging Debt Grant		0	6
49,168,199	Net Cost of Services		34,601	
181,546	Interest Payable		0	
0	Amortisation of Premiums and discounts		379,956	6
(46,411)	Investment Income		(28,265)	
(396)	Pensions interest cost and expected return on assets		0	
49,302,938	Deficit for Year on HRA services		386,292	

Statement of Movement on the Housing Revenue Account Balance

2007/08 £		2008/09 £	Note
49,302,938	Deficit for Year on the HRA Income and Expenditure Account	386,292	
(49,663,192)	Net additional amount required by statute to be credited to the HRA Balance for the year	(379,956)	
(360,254)	(Increase)/Decrease in the Housing Revenue Account Balance	6,336	
(652,529)	Housing Revenue Account Balance brought forward	(1,012,783)	
0	Housing Revenue Account Balance Transferred to General Fund Balances	(1,006,447)	1
(1,012,783)	Housing Revenue Account Balance carried forward	0	

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08 £		2008/09 £	Note
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
0	Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	(379,956)	6
(55,945,883)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	0	
(25,123)	Net charges made for retirement benefits in accordance with FRS17	0	
(55,971,006)		(379,956)	
	Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year		
(362,240)	Transfers to/from the Major Repairs Reserve	0	
29,188	Employer's contributions payable to the Lancashire County Council Pension Fund and retirement benefits payable direct to pensioners	0	
6,583,877	Overhanging Debt Grant for PWLB Loan Repayment	0	6
56,989	Capital Expenditure funded by the HRA	0	4
6,307,814		0	
(49,663,192)	Net additional amount required by statute to be credited to the HRA Balance for the year	(379,956)	

Notes to the Housing Revenue Account

1 CLOSURE OF HOUSING REVENUE ACCOUNT

The Council has received formal Consent from the Secretary of State to close its Housing Revenue Account with effect from 31 March 2009. As a result of this approval Housing Revenue Balances of £1,006,447 have been transferred to the General Fund at 31 March 2009.

2 HOUSING SUBSIDY

The subsidy for 2008/09 has been calculated as follows:

	2007/08 £	2008/09 £
Allowance for Management and Maintenance	1,505,157	0
Charges for Capital	369,809	0
Major Repairs Allowance	710,763	0
Rental Constraint Allowance	65,329	0
Housing Defects Grant	2,168	0
	2,653,226	0
Less - Guideline Rent Income	(3,197,162)	0
- Interest on Receipts	(1,631)	0
Add - Adjustment for Previous Year	20,653	20,955
	(524,914)	20,955

3 IMPAIRMENTS

The Council transferred its housing stock at a value of nil on 31 March 2008. In 2007/08 the resulting impairment of £55.9m, representing a consumption of economic benefits, has been shown on the face of the Housing Revenue Account and reversed out of the accounts via the Statement of Movement on the Housing Revenue Account Balance to the Capital Adjustment Account.

Notes to the Housing Revenue Account

4 HOUSING REVENUE CAPITAL FINANCING

Capital	2007/08 £	2008/09 £
Expenditure - Council Houses	862,011	0
Financed By - Borrowing	(33,000)	0
- Revenue Contributions to Capital Outlay	(56,989)	0
- Major Repairs Reserve	(772,022)	0

5 HOUSING CAPITAL RECEIPTS

The Council was required to pay over to the Government 75% of receipts from the sale of its Council Houses prior to their transfer on 31 March 2008. In addition 75% of mortgage principal repayments must also be paid over

Gross Capital Receipts	2007/08 £	2008/09 £
Sale of Council Houses	393,462	0
Disposal of Land	0	0
Mortgage Repayments	3,086	7,807
	396,548	7,807

6 EXCEPTIONAL ITEMS AND AMORTISATION OF PREMIUMS AND DISCOUNTS

Exceptional items are ones that are material in terms of the authority's overall expenditure and not expected to occur frequently or regularly.

On 31 March 2008 the Council transferred its housing stock to Ribble Valley Homes Ltd. As a result of the transfer the Government repaid PWLB housing related debt worth £6.2m on 3 April 2008 on behalf of the Council. The cost of extinguishing this debt was £6.6m. This total amount of £6.6m was processed in the council's accounts as a government debtor in respect of overhanging debt grant in 2007/08, however the PWLB debt remained on the balance sheet at 31 March 2008 with the discharge taking place in 2008/09.

Collection Fund

The Collection Fund is managed and administered by Ribble Valley Borough Council as the billing authority on behalf of the council tax and business rate payers within our area.

	2007/08 £000	2008/09 £000
Income		
Council Tax	28,640	29,633
Transfers From General Fund - Council Tax Benefits	1,895	1,995
Business Rates	9,617	10,781
	40,152	42,409
Expenditure		
Precepts and Demands:		
Lancashire County Council	23,234	24,017
Ribble Valley Borough Council	3,184	3,339
Lancashire Police Authority	2,797	3,032
Lancashire Combined Fire Authority	1,276	1,341
Business Rates - Payment to National Pool	9,538	10,700
- Costs of Collection	79	81
Provision for Bad/Doubtful Debts	17	28
Share of Estimated Surplus:		
Ribble Valley	27	0
Lancashire County Council	194	0
Lancashire Police Authority	22	0
Lancashire Combined Fire Authority	11	0
	40,379	42,538
Deficit for the Year	(227)	(129)
Surplus Brought Forward	128	(99)
Surplus/(Deficit) Carried Forward	(99)	(228)

Collection Fund

1 STATUTORY POSITION

These accounts represent the transactions of the collection fund for which there is a statutory requirement contained in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates. Collection fund balances are consolidated in the balance sheet.

2 INCOME FROM BUSINESS RATES

Under the arrangements for the administration of uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

	2007/08 £	2008/09 £
Gross Rates	11,522,616	12,372,301
Less Allowances and Other Adjustments	(1,905,014)	(1,590,454)
Income Collectable From Business Ratepayers	9,617,602	10,781,847
Less Cost of Collection	(79,239)	(81,435)
Net Payment to National Pool	9,538,363	10,700,412

The total non-domestic rateable value at 31 March 2009 was £27,635,725 compared to £27,096,865 at 31 March 2008. The national non-domestic multiplier (rate in the pound) for the year 2008/09 was 46.2 pence compared to 44.4 pence in the year 2007/08.

The income collectable from business ratepayers differs from the yield; based on the total rateable value due to the award of transitional adjustments, empty property relief and mandatory relief.

3 COUNCIL TAX BASE

The gross amount of council tax payable for a property is determined by reference to a band that is allocated to the property by the Listing Officer who is an official of the Inland Revenue. There are eight property bands, A to H, each of which attracts a different level of council tax based upon the charge at band D.

The Council set a band D council tax of £1,406.51 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	7	6.75	3.8
A	6/9	3,218	2,715.75	1,810.5
B	7/9	4,526	4,014.50	3,122.4
C	8/9	4,652	4,207.25	3,739.8
D	1	4,338	4,015.50	4,015.5
E	11/9	3,177	2,998.75	3,665.1
F	13/9	2,007	1,917.00	2,769.0
G	15/9	1,820	1,751.00	2,918.3
H	18/9	179	171.25	342.5
		23,924	21,797.75	22,386.9
			Adjustments	(87.9)
				22,299

Collection Fund

4 BAND D COUNCIL TAX

The band D council tax set by the Council has been calculated as follows:

	£
Lancashire County Council Precept	24,017,451
Lancashire Policy Authority Precept	3,031,840
Lancashire Combined Fire Authority Precept	1,341,508
Ribble Valley Borough Council Demand (excluding Parishes)	2,973,197
Total to be Met From Council Tax	31,363,996
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,299
Band D Council Tax (Average excluding Parishes)	£1,406.51

5 PROVISION FOR LOSSES

An analysis of the collection fund bad debt provision is set out below:

	Council Tax £	NNDR £	Total £
Opening Balance	185,000	70,000	255,000
Write Off's in Year	(27,394)	(39,869)	(67,263)
Increase to Provision	27,394	99,869	127,263
Closing Balance	185,000	130,000	315,000

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Balances

The total level of funds the council has accumulated over the years, available to support revenue expenditure within the year (also known as reserves)

Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Financing Costs

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

Capital Receipt

Income from the sale of capital assets such as land or buildings.

Collection Fund

A separate account held by billing authorities in to which council tax and national non-domestic rates (NNDR) are paid.

Creditors

Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Debtor

Amounts owed to the Council, which are collectable or outstanding at 31st March.

Depreciation

The estimated losses in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

Glossary

Fixed Asset

Assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

Government Grants

Payments by central government towards local authority expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Precepts

The amount which local authorities which cannot levy a council tax directly on the public (i.e. County Council, Fire Authority, Police Authority or Parish Council) requires to be collected on its behalf.

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Revenue Expenditure

Spending on day-to-day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded from Capital Under Statute

Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

Revenue Support Grant

The main grant paid by central government to a local authority towards the costs of its services.

Abbreviations used within the Statement of Accounts

BVACOP: Best Value Accounting Code of Practice

CIPFA: Chartered Institute of Public Finance and Accountancy

FRS: Financial Reporting Standard

GAAP: Generally Accepted Accounting Principles

LASAAC: Local Authority Accounts Advisory Committee

NDR: National Non-Domestic Rates

PWLB: Public Works Loan Board

RSL: Registered Social Landlord

SOLACE: Society of Local Authority Chief Executives

SORP: Statement of Recommended Practice